

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03  
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02  
LAB-04 SIL-01 OMB-01 L-03 H-01 NSC-05 SS-15 STR-04  
CEA-01 PA-01 PRS-01 /086 W  
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FM AMCONSUL MILAN  
TO SECSTATE WASHDC 5270  
INFO AMEMBASSY ROME

C O N F I D E N T I A L MILAN 0350

E.O. 11652: GDS  
TAGS: ECEM, EINV, IT  
SUBJECT: MONTEDISON OFFICIAL'S VIEWS ON SHAKE-UP THERE

1. IN WAKE OF MARCH 1 MORNING NEWS OF SHAKE-UP IN  
MONTEDISON LEADERSHIP AND COMPANY'S PLANNED CAPITALIZA-  
TION INCREASE OF 600-650 BILLION LIRE, EXECUTIVE  
OFFICER CALLED ON GIUSEPPE RATTI, MONTEDISON'S GENERAL  
MANAGER FOR FOREIGN OPERATIONS AND LONG-TIME CLOSE  
ASSOCIATE OF MONTEDISON PRESIDENT CEFIS. ALTHOUGH  
RATTI ADMITTED SHAKE-UP INDICATED EXISTENCE OF REAL  
PROBLEMS AT MONTEDISON (MAINLY FINANCIAL) AND DID NOT  
TRY TO MINIMIZE IMPORTANCE OF LOSS OF GENERAL MANAGER  
FOR FINANCE AND INSURANCE GIORGIO CORSI, HE INSISTED  
MONTEDISON IS BASICALLY HEALTHY AND SAID ADEQUATE  
FINANCING WOULD BE FOUND ONE WAY OR ANOTHER.

2. RATTI BEGAN BY SAYING THAT SPECTACLE OF STRUGGLE AT  
TOP OF MONTEDISON - RESPONSIBLE IN ITALY FOR 150,000  
JOBS - WAS NOT EDIFYING AND DID NOT REFLECT COMPANY'S  
TRUE STATE OF HEALTH. PICTURE PRESENTED IN PRESS, RATTI  
SAID WITHOUT DENYING ITS ACCURACY, WAS THAT TWO OF  
CEFIS' FOUR TOP LIEUTENANTS (CORSI AND ALBANESE) WERE  
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OUT AND REMAINING TWO (GRANDI AND RATTI HIMSELF) WERE LOCKED  
IN COMBAT. YOU DID NOT HAVE THAT KIND OF MOVEMENT  
WITHOUT REAL PROBLEMS UNDERNEATH. MAIN DIFFICULTY WAS  
HOW TO ASSURE STEADY AVAILABILITY OF FINANCIAL RESOURCES

AND, UNDERLYING THAT PROBLEM, TO WHAT EXTENT COMPANY  
SHOULD BE PUBLICLY OWNED. BUT NEITHER THESE PROBLEMS

NOR DIFFERENCES OF OPINION AMONG COMPANY'S TOP LEADERSHIP SHOULD BE ALLOWED TO OBSCURE FACT THAT MONTEDISON WAS SOUND AND ITS STRAITS PROBABLY ONLY TEMPORARY.

3. GETTING DOWN TO PERSONALITIES, RATTI SAID IT WOULD BE FUTILE TO PRETEND THAT LOSS OF GIORGIO CORSI WAS INSIGNIFICANT FOR MONTEDIWON. CORSI, WAS "FINANCIAL GENIUS" AND WELL KNOWN TO TOP PEOPLE - LIKE DAVID ROCKEFELLER - IN FINANCIAL WORLD. MAN REPLACING HIM (FRANCO LUGLI) SIMPLY NOT ON CORSI'S LEVEL. HOPEFULLY CORSI WOULD NEVERTHELESS CONTINUE TO IMPORTUNE BIG AMERICAN BANKS ON MONTEDISON'S BEHALF.

4. AND WHY SPECIFIAALLY WAS CORSI LEAVING? RATTI SAID THAT CORSI'S DECISION HAD BEEN MADE OVER TWO WEEK AGO, ON HIS OWN INITIATIVE BUT WITH SOME PUSHING. (RATTI MAY HAVE BEEN REFERRING TO CEFIS' REPORTED DECISION TO DIVEST MONTEDISON OF ITS BANKS AND INSURANCE COMPANIES, MANEUVER WHICH WOULD HAVE LEFT CORSI WITH SUBSTANTIALLY DIMINISHED RESPONSIBILITIES.) NO ONE, SAID RATTI, WAS ACCUSING CORSI OF POOR PERFORMANCE. ON CONTRARY, HE HAD PERFORMED "MIRACLES." BUT HE WAS PERHAPS TOO PESSIMISTIC ON MONTEDISON'S FUTURE. AS FOR CORSI'S RELATIONS WITH CEFIS, RATTI MENTIONED FEBRUARY 17 REPUBBLICA INTERVIEW WHERE, HE SAID, CORSI HAD GONE PUBLIC WITH INFORMATION ON PROPOSED MONTEDISON DIVESTITURE OF BANKS AND INSURANCE COMPANIES. "THAT INDICATES HE AND CEFIS WERE NOT CLOSE." RATTI INDICATED THAT, ON SUBSTANCE OF CEFIS-CORSI DISAGREEMENT (I.E. WHETHER MONTEDISON SHOULD

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OWN BANKS, INSURANCE COMPANIES, AND OTHER NON-CHEMICAL HOLDINGS), HE HIMSELF STOOD WITH CEFIS RATHER THAN CORSI. "DUPONT, MONSANTO, AND ICI DON'T GO THIS AFAR AFIELD," HE SAID, "AND NEITHER SHOULD WE."

5. RATTI SAID ANOTHER FUNDAMENTAL PROBLEM LURKS BEHIND PRESENT DIFFICULT FINANCIAL SITUATION: WHETHER TO INCREASE STATE PARTICIPATION IN MONTEDISON. RATTI HIMSELF HAD ALWAYS BEEN IN FAVOR, NOT FOR IDEOLOGICAL REASONS - AFTER ALL, LARGE PRIVATE COMPANIES WERE SUBJECT TO GOVERNMENT PRESSURE JUST LIKE PUBLIC ONES - BUT OUT OF PRAGMATIC RECOGNITION THAT COMPANY LIKE MONTEDISON NEEDS STEADY ACCESS TO FUNDING THAT ONLY GOVERNMENT CAN PROVIDE. MONTEDISON NOW LURCHED FROM ONE FINANCIAL CRISIS TO NEXT WITH NO END IN SIGHT. THAT WAS BASIC PROBLEM THAT BADLY NEEDED SOLVING AS MONTEDISON FACED FUTURE.FINA

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